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PROGRAMME PLANNING

Country and intercountry programmes and projects

THIRD REGIONAL PROGRAMME FOR EUROPE

Programme period	Actual resources programmed	$
1992-1996	Net IPF	4 200 000
	Estimated cost-sharing	250 000
	Total	4 450 000

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REGIONAL PROGRAMME FOR EUROPE 1992-1996

I. DEVELOPMENT SITUATION, OBJECTIVES, STRATEGIES

A. Socio-economic situation

1. Since mid-1989, 7 of the 10 European countries accorded indicative planning figures (IPFs) that are participating in the fifth-cycle regional programme have undergone major political and economic changes leading to major restructuring. The revolutionary process that started national reforms affected Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania and Yugoslavia. The process has led to the introduction of multiparty democracy (with elected governments and loyal representative oppositions), introduction of private ownership, new concepts of management and services, and new opportunities for the individual entrepreneur. The dismantling of central planning systems has proved more difficult than expected. The legacy of over 40 years of command economies has prevented institutions, legal structures and individual managers to familiarize themselves with market systems.

2. Over the last two years, societies in Central and Eastern Europe - which hitherto were viewed as industrialized, well-trained, well-organized, relatively wealthy and equitable - have been shown to possess technologies that waste energy and create pollution, as well as being outdated and noncompetitive. Otherwise technically qualified people were shown to lack the management skills required for coping with all the changes needed to introduce efficient market economies.

3. Major transition processes have begun which are introducing change at different levels simultaneously: political democratization; replacement of central command structures; changed trade flows following the collapse of the Council for Mutual Economic Assistance (CMEA); and industrial restructuring, i.e., away from heavy industry towards consumer goods and services.

4. Other factors that have significantly added to the present difficulties include: escalating debt problems; the effects of the Persian Gulf crisis; and complex entry barriers vis-à-vis the European Community.

5. The situation of Central and Eastern European countries affected by these circumstances has been revealed by a reduction in their aggregate economic activity by as much as 30 per cent. The deep recession has caused large contractions in output and demand, skyrocketing unemployment, resultant idle industrial capacity and accelerated inflation.

6. Before 1989, both economic growth and human resources development were severely limited in the Central and Eastern European subregion. Continuous shortages of consumer goods, the neglect of factors relating to a healthy environment and political systems that excluded the involvement of the majority of people severely reduced the quality of life for almost 50 years. As the political and economic restructuring programmes were initiated, it became clear that extra attention needed to be given to the human being as

both a tool and beneficiary of the reforms under way. The transition processes that started in 1989 are focusing on such development as well as an equal protection of all segments of the populations. The weaker and disadvantaged groups that require attention are the elderly and children, the unemployed, women and ethnic minorities. A widening of democracy is believed to provide the best avenue for enhancing the possibilities for improving human development.

7. On the positive side, there has been a major surge of solidarity between East and West. This has resulted in many new programmes of international technical cooperation and financial support.

8. Of the 10 IPF countries, 3 have net contributor status: Cyprus, Czechoslovakia and Malta. Other newly independent countries in Eastern Europe and the Community of Independent States (CIS) have requested recipient status as IPF countries. They have indicated interest in the regional programme as well. At the Special Session of the Governing Council in February 1992, Belarus, Estonia, Latvia, Lithuania and Ukraine were given recipient status.

B. Regional development objectives and strategies

9. Albeit through varied approaches and pace of change, the Central and Eastern European countries in transition share the same broad objectives of political and economic restructuring which is designed to lead to the abolition of the former command structures and to the development of market economies. This implies that all major systems are undergoing change: in legislation, policies, and institutions in order to create an enabling environment for a market economy; in the physical infrastructure necessary to sustain the new societies; in management techniques, training, retraining and the education of future generations; in all industrial sectors, whether in manufacturing or services; in trade and any other area of consequence. No element of national development can escape the need for thorough review and consequent restructuring.

10. While the events in the Central and Eastern European countries have shaken the world since 1989, most of these events have also created new opportunities for the international community in terms of economic and technical cooperation. This, of course, also applies to the other three IPF countries in Europe: Cyprus, Malta and Turkey. The common goal to join a larger European Community has been energized by the demise of the CMEA and the dramatic economic disruptions currently experienced by the former Union of Soviet Socialist Republics. Pan-European integration is a key goal of all European IPF countries, alongside political stability through the adoption of democratic processes. Many obstacles, however, remain to be overcome in this respect, most of them related to such factors as inadequate economic infrastructure, trade barriers within or between the countries concerned, the inadequate quality of exportable products, and other similar hindrances.

II. EXTERNAL COOPERATION

A. External cooperation priorities

11. Until 1989, the participation of external donors and development banks in the development of Central and Eastern European socialist nations was limited to only a few countries. To a large extent, UNDP and the United Nations development system constituted the only source of grant technical cooperation. UNDP was also used by some donors as a channel to deliver some assistance, particularly at the intercountry level. Yugoslavia and Albania are still the only two countries in Central and Eastern Europe where development cooperation counts as official development assistance (ODA) under definitions used by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). From 1989 onwards, UNDP in financial terms increasingly became a minor player among international donors involved in setting up priority programmes for technical cooperation in the region. The major source of grant assistance became the European Community (EC) through the PHARE programme, which financed country as well as regional activities. The Commission of the Community also was mandated to coordinate the activities of donors among members of OECD. The World Bank substantially expanded its lending programme in volume and in consultations in additional countries. It became the major source of investment funding. A new bank, the European Bank for Reconstruction and Development (EBRD), became operational in 1991.

12. External donors are intervening in nearly all sectors of these economies in transition, especially in private sector development, management, education and human resources development, the environment, energy and telecommunications.

B. Aid coordination arrangements

13. Reference has already been made to the OECD mandate given to the EC for aid coordination among donors vis-à-vis the European economies in transition. By focusing on common needs of beneficiary countries, UNDP will assist them in coordinating their efforts to match demand for external assistance with potential donor interest. Through existing networks and the establishment of new ones, the regional programme will encourage cooperation among beneficiaries themselves. Networking arrangements developed during the 1980s and continuing into the present, have focused on technical cooperation in the sectors of energy, environment, science and technology, transport, communication and management. By adapting the activities of these networks to the emerging needs of the region's economies in transition, UNDP intends to cooperate with other donor-supported programmes and to develop multidonor projects that will expand institution-building processes initiated under its earlier regional programmes.

III. THE REGIONAL PROGRAMME

A. Assessment of ongoing regional programme

14. Significant results have been achieved in the energy and environment, transport and communications and management sectors, especially in terms of institution-building and networking under the European intercountry programme. The major changes experienced by the region, however, and their impact on requirements for management and training at all levels, have led to sharp changes in the composition of the national institutions and individuals assigned to the programmes supported by UNDP. This has had an impact on the sustainability of existing institutions and of existing networks among the various cooperating national institutions. It was also found that despite impressive advances in terms of technology transfers to and within the region for industrial and scientific purposes, the impact of cooperation programmes would have been greater had the policy and management aspects received more attention.

15. The mid-term review of the fourth-cycle regional programme took place in the first half of 1989, i.e. before the major political upheavals that changed the overall context of the UNDP-supported programmes in the region. Since then and in response to these changes, UNDP carried out several high-level missions in the region. It also fielded short-term policy-oriented missions, including several composed of private sector specialists. The latter have resulted in a strategic plan and a set of country studies for the sector, preparing the ground for new proposals in enterprise restructuring and support to privatization and entrepreneurship. Particular attention was given to gender issues through a regional workshop organized in Vienna in April 1991 which focused on the role of women in the Eastern European transition process. The workshop provided useful guidelines for future activities in the region concerning women in development.

16. The revolutionary changes that have shaken Europe since 1989 heavily influenced the second half of the fourth-cycle regional programme. The changes gave rise to an unprecedented release of human energies and individual creativity. The processes thus set into motion represent a series of massive systemic changes and structural adjustment measures that are affecting all levels of society. They are expected to last for prolonged periods of time, and to require an equally massive response from the donor community. They also create new opportunities for cooperation within the region and among the IPF countries themselves.

17. A special study of regional project networks and their sustainability took place at the end of 1989, i.e. at the time that the very foundation of earlier UNDP-supported networks was already affected by restructuring measures in the majority of the participating IPF countries. Subsequent personnel changes also had a negative effect. Some successes were noted, however: for instance, on the basis of the network for industrial energy conservation, an intercountry private company for environmental management and consulting was created in November 1990. The resulting joint venture, ENCONET International

involving Hungary and Yugoslavia, was later completed by specialists from Czechoslovakia.

18. As a result of the impact of the sudden entry of many donors into the Central and Eastern European economies in transition, many well qualified national specialists have been attracted away from the regional programme, and replacements have not always been readily available. The changes also revealed the need for improved user-orientation of project activities and a consequent need for careful selection of national counterparts for international networking within the context of the regional programme.

B. Proposals for UNDP cooperation

1. Preparatory process

19. In early 1991, several consultants were hired to assess technical cooperation needs in the European IPF countries. They based their assessment on visits to the countries concerned and to various United Nations system agencies. A cluster meeting was organized for the region in April 1991, in Geneva, which brought together government officials from all IPF countries, several UNDP headquarters and field staff, agencies of the United Nations system, and several key donors, including the EC, the World Bank and EBRD. During 1991, the services of senior specialists were secured on a retainer basis for programme development in the following priority areas: economic restructuring and private sector development; management development and vocational training; transport and communications; environmental management and energy conservation. Three "Task-Force Meetings" were also organized as follows:

(a) Transport and Communications, Warsaw, Poland, on 27 and 28 June 1991;

(b) Private Sector Development, Management and Vocational Training, Celakovice, Czechoslovakia, from 30 September to 4 October 1991; and

(c) Environment and Energy, Ankara, Turkey, from 17 to 19 December 1991.

These meetings were attended by specialists and government policy makers from the IPF countries as well as representatives of the specialized agencies of the United Nations system. They offered an opportunity to review lessons learned from the fourth-cycle programme, and to assess needs for assistance during the fifth cycle.

20. In the environment sector, efforts were made to obtain additional funding through the Global Environmental Facility (GEF) for large-scale projects in the Danube River Basin and the Black Sea. These met with a clear initial success since, as far as the Danube programme is concerned, it has led not only to the approval of the Danube GEF project but also to a coordinated multidonor programme for the Danube River Basin, with total expected funding of some $50 million. This was the result of initiatives taken by the UNDP

regional programme in consultation with the GEF partners (the World Bank and UNEP), the countries concerned, and major donors.

21. In mid-January 1992, an intergovernmental consultation was organized in Geneva in order to complete this process through the selection of priorities for the fifth-cycle programme and the adoption of strategies for programme implementation and co-financing.

2. Strategy for UNDP cooperation

22. Since the regional programme's resources are limited to a total of only $4.2 million, it was decided to give preference to priority needs that, within the areas of main concern, would lend themselves to co-financing by other donors, using resources already earmarked for the region. Whenever appropriate, advantage will be taken of previous experience in institution building and networking. Scarce UNDP resources will be used mainly to provide "seed money" for project activities of a strategic nature, agreed upon with the recipient countries. This includes activities for project formulation and fund raising, as necessary, to attract additional donor contributions for large-scale, multidonor, technical cooperation programmes with a target totaling $34,000,000.

23. The entire regional programme will focus on the human dimension of the transition process. While recognizing the crucial importance of raising gross national product (GNP) and the necessary capital investment, the UNDP strategy has the dual aspect of strengthening the human and social objectives of the transition process and of developing the human resources necessary for completing that process. While there are three principal subprogrammes, the human dimension applies to each of them.

24. Special attention will be given to the needs of the weaker and disadvantaged groups, for whom special programmes will be developed. For all subprogrammes, human resources development will be addressed, enabling all groups, including women, non-governmental organizations (NGO)s, enterprises and local government institutions, to participate in the transition process and to make use of their potential.

3. Proposed UNDP cooperation in selected areas of concentration

25. It is proposed that the intercountry programme in the fifth cycle focus on the following three areas:

(a) Private sector development (including privatization, enterprise restructuring, entrepreneurship development, and patent information); management development and consulting, statistics; and vocational training;

(b) Environment and energy; and

(c) Transport and communications.

Subprogramme for private sector development, management, statistics and vocational training

(a) Regional development goals and programmes requiring UNDP cooperation

26. Private sector development in Central and Eastern Europe is one of the cornerstones of the economic reforms now being carried out. A whole new way of thinking has to be introduced in countries where most people have never experienced anything other than centrally controlled economic systems, and where the economic and social structures of the past 40 years have become completely inappropriate. All countries of the subregion, therefore, have set out on: the introduction of privatization programmes; a restructuring of their industrial, agricultural and service sectors; the initiation of management development programmes; the promotion of entrepreneurial skills and introduction of business incubators; and the reform of vocational training systems. New legislation is being introduced to create an enabling environment that will attract foreign investments for the start-up of new enterprises and the salvation of existing ones.

27. During the latter part of the fourth cycle, UNDP had begun a series of new initiatives under the "management" sector of the fourth-cycle programme. The initiatives were aimed at addressing issues of transition towards the introduction of market economies. These included the development of entrepreneurial skills through business incubators, the introduction of computerized management systems in industry, promotion of local management consultancy capacity as well as such support services as patent information systems. Starting in 1991, a new small-scale project to support the Central and Eastern European Privatization Network was approved, enabling decision makers to learn from privatization experiences within and outside the region. All these activities, however modest and however incomplete, have been helpful in supporting economic reform. Useful networking arrangements involving many skillful partners from within the subregion as well as from Cyprus, Malta and Turkey, which have long traditions in private sector development, were created in 1990 and 1991. These arrangements provided a solid base for launching new, interrelated, large-scale programmes in which other sources of funding would also be interested, and where UNDP would further expand its traditional role of local capacity building.

(b) Proposed UNDP cooperation

28. The Privatization Network was created in 1991 and received initial UNDP support for the organization of a series of workshops. Recently appointed privatization officials from the responsible government agencies in Central and Eastern Europe, organized in a network steering committee, were thus able to participate in in-depth reviews of experiences in privatization and to discuss specific topics of common interest and urgent concern. These

workshops have not only enabled officials from different Central and Eastern European countries to exchange experiences, but they also generated follow-up action programmes in response to identified needs. The network also offers opportunities for identifying resources and providing support to member institutions within the region. The institutions benefiting from this mechanism will develop strategies to achieve their privatization goals through specific activities for which other donors provide funding as well. Some of the workshops organized by the networks may well lead to separate large-scale projects for restructuring special economic sectors, to be co-financed by other donor entities available to the region. Workshops on "public offerings" and "business evaluation" held in 1991 are expected to lead to large-scale follow-up activities in 1992.

29. Other donors such as the EC, EBRD, the World Bank and some individual Governments have shown interest in this initiative. The other IPF countries in the region (Cyprus, Malta and Turkey) have indicated interest in providing expertise both for this initiative and for the "turn-around management" project described below. On the assumption that the EC/PHARE and EBRD provide substantial funding for workshops and special events, UNDP proposes to provide continued support for network management and coordination. Due advantage will be taken of previous UNDP experience and initiatives in privatization undertaken by the interregional programme.

30. The new programme will build on "hands-on" approaches for enterprise restructuring. A major new activity is the Turn-around Management Programme (TAM), which will benefit the economies in transition. The focus of the programme is on state-owned enterprises that are at risk to flounder or fail because of serious management inadequacies while confronted with new challenges posed by open market competition, falling export sales, and shrinking domestic subsidies. The programme will focus on large, fragile but saveable enterprises, and will act at the level of their leadership. It will also provide feed-back to the regulators and policy makers responsible for privatization and for establishing an enabling market environment. Relevant data will be shared as well with other programmes involved in such areas as the training of accountants and management consulting. The programme is designed to last four years. The principal activities supporting the programme include the provision of "turn-around teams" composed of successful "hands-on" enterprise managers from other countries and national consulting specialists. The teams will work closely - over a period of two years each on a part-time basis - with the senior management of key enterprises in need of restructuring. Each team will provide advice on the strategic direction and organization of the company; analyse its needs with respect to marketing, production, financial and administrative practices and requirements; counsel the leaders on a one-to-one basis on the most effective methods to manage the company's internal and external resources; build confidence and morale of the leadership in their ability to manage and direct the company's activities in a free, competitive marketplace; help identify such additional outside resources as capital and marketing partners; and identify serious problems resulting from the regulatory and institutional environment. Sizeable external funding is expected from such external donors as the Commission of the European

Communities (PHARE programme), the EBRD, and several bilateral technical cooperation programmes. A decision with respect to the nature of this project will be taken following further consultations between UNDP and beneficiary Governments prior to the Governing Council's thirty-ninth session in May 1992.

31. During the fourth cycle, a small project for the promotion of entrepreneurship in small and medium-scale industries resulted in the fine-tuning of methodologies for facilitating the creation of small and medium-size enterprises, particularly through business incubators. Under a separate but related project, patent information systems were strengthened to provide access to innovative technologies. UNDP will cooperate in extending these facilities to interested entrepreneurs on a larger scale, and in seeking additional funding.

32. Another aspect of support to entrepreneurship development is designed to attract the attention of other donor entities. This aspect features fast-growth enterprises. These may be either new businesses or offsprings of the privatization process; in either case, they are enterprises that no longer need start-up support, but intend to fully exercise their entrepreneurial abilities. They do not yet have access to financial markets and need to undergo tremendous managerial changes to exploit the growth opportunities that are emerging. Nonetheless, in many countries, such fast-growth enterprises have proved to be key generators of economic growth and of large-scale employment.

33. A Management Education proposal is under formulation. In its current shape, it plans to build on existing initiatives to encourage professional management development. It will be supported by networks of management development institutions in Eastern and Western European countries and is designed to result in a higher standard of management education in the beneficiary IPF countries. The programme will address such new objectives as faculty development, efficiency of management in the management institutions, curriculum development and quality standards, and the particular needs of management consulting. Strengthening the training capacities for the trade sector will be given special attention. The project will closely collaborate with the turn-around management and entrepreneurship programmes mentioned above.

34. The major changes occurring in Europe have heightened the need for skilled professional workers and middle-level managers capable not only of turning out quality products for a competitive export market and a steadily evolving local market, but also of running a fast-growth service sector. This capability is essential to reduce the high unemployment level. Vocational training systems and policies need to be revised and adapted to the new situation. Based on experience gained during the fourth cycle, when a small regional project (Vocational Training and New Technologies) was undertaken for improving the technological content of vocational training and in view of the absence so far of other major donor initiatives in this sector, UNDP intends to examine the feasibility of a large multidonor programme for the introduction of reform policies and programmes in vocational training. The

programme is expected to be of particular significance in addressing the human dimension of transition, and to provide opportunities for enhancing the role of people as a tool for change.

35. Economic restructuring will require sound statistical information if a successful transition to the market economy is to be realized. Building on the Computerized Statistics network developed by a fourth-cycle regional project, UNDP intends to assist national statistical offices to introduce methodologies for generating a range of economic statistics required in a market-oriented economy. Collaboration will be sought with "EUROSTAT" and other European organizations involved in statistics for technical support as well as additional funding.

36. While the total volume of co-financing requirements for these programmes and related initiatives remains to be determined, it is most likely that a mix of cost-sharing, trust-fund arrangements and management services will best reflect the variety of donor entities that will be involved. UNDP experience in institution building, its support to existing local and regional networks, and its human development strategies justify the Programme's continued role in the region. All the proposed activities in this sector will complement national programmes and projects financed under country IPFs, and their benefits are national rather than regional. The regional approach, however, is considered cost-effective as it allows for a coordinated channeling of similar inputs to institutions in participating countries and the sharing of experiences among beneficiaries. Success indicators will be the establishment of new programmes for management education, vocational training and entrepreneurship promotion and the creation of a nucleus of specialists in participating countries.

37. A total of $2,000,000 in IPF resources has been earmarked for this subprogramme.

Subprogramme for energy and environmental management

(a) Regional development goals and programmes requiring UNDP cooperation

38. At an interministerial conference held in Dobris, Czechoslovakia, in June 1991, European countries agreed to collaborate in preparing new strategies and programmes for sustainable development in order to protect and improve the environment in Europe. All major international organizations and development banks participated in the conference, which, inter alia, stressed the importance of human values and environmental ethics as lifestyle decisions substantially affecting the environment. The European ministers endorsed the development and implementation of regional, subregional, and water basin programmes, especially those related to the Baltic, Black, North and Mediterranean Seas. The launching of such regional programmes as those related to the Danube Basin, the Black Triangle, and other subregional hotspots was also welcomed. Concerned countries and international organizations were invited to participate and support these programmes.

39. As a follow-up to the Dobris conference, several regional planning meetings were organized in which UNDP participated with EBRD, the European Investment Bank (EIB), the Nordic Investment Bank (NIB). EC, OECD, the Council of Europe, the United Nations Economic Commission for Europe (ECE), the United Nations Environment Programme (UNEP), the World Health Organization (WHO) and the World Bank. One of the proposals discussed at these meetings was to give a special role to UNDP in building local capacities for environmental management and consulting. As only limited IPF funds are available, a choice has been made for human resource development activities that will produce methodologies and training modules for public, private, central and local managers involved in environmental management and energy conservation. Successful models for environmental consulting, including energy conservation, have been developed in market economies and in selected institutions within the European IPF countries. These models will be used for upgrading the skills of national specialists interested in developing consulting capacity from which government institutions, as well as those in industry, agriculture and other sectors, that are responsible for pollution and energy waste will benefit. Other donors will be approached to co-finance these activities.

(b) Proposed UNDP cooperation

(i) New programmes

a. Energy conservation and air pollution control

40. Building on positive networking experiences developed under an earlier project in support of industrial energy conservation, UNDP will fund a follow-up activity that will focus on the creation of sustainable environmental management institutions and companies. It will take into consideration the positive lessons learned from such fourth-cycle regional projects as Energy Conservation in Housing; Air Pollution Control; Low Calorie Solid Fuels Technology; Energy Planning; and INTERNET. The acute shortage of competent organizations at the enterprise level points to the need for developing an environmental and energy service sector in order to prevent industry and other sectors being forced to rely exclusively on foreign consultancy firms. By the enactment of new environmental and energy policies and legislation and with the introduction of market economies, industry will have to adopt pollution controls, clean technologies, and energy conservation measures. The same will occur in the agriculture and transport sectors. This will create a demand for technical and management advice in the form of of a variety of consultancy services including environmental impact assessments, environmental risk assessments and auditing, energy auditing and engineering designs for pollution control and energy efficiency.

b. Management of hazardous waste and toxic chemicals

41. Successful fourth-cycle activities in waste management and integrated resources recovery and recycling were evaluated by UNDP consultants. This has led to a new proposal for promoting hazardous waste and toxic chemicals management through the building of national and international information

systems directly linked with the solving of significant problems in industry and in local government facilities. The end-users of these systems will be assisted through the development of computerized information support systems that can serve as a tool for early warning and control of pollution and as a catalyst for waste processing. The control of the use, trade and final destruction of toxic chemicals will also be facilitated. An efficient first step will be the building of national waste registries, which have already proven their value in one of the countries. The waste registries will contain economic data as well, enabling them to play a catalytic role in waste minimization and introduction of clean technologies.

c. Restructuring and environmental management in the coal mining industry

42. During the fourth cycle, the countries of the region benefited from a small-scale regional project which promoted greater efficiency in coal mines by introducing computer systems in their operations. An evaluation of the project carried out in mid-1991 resulted in a demand for UNDP-led international cooperation for assisting the countries of the region to restructure their coal mining industries in order to improve their economic and environmental performance.

43. As the new objectives will require substantial additional funding from other donors, UNDP's cooperation will focus on bringing together interested coal industries in the IPF countries and their counterparts in the West to review problems related to restructuring, economic and environmental management and privatization. Subsequently, an action plan will be designed for submission to donors.

44. The Global Environmental Facility (GEF) has provided additional funding for environmental programmes in Europe. A small-scale, fourth-cycle project, River Danube Water Quality Protection (programmed for $180,000), has given way to a much larger Environmental Management Programme for the River Danube Basin which has received substantial GEF funding ($8.5 million). This GEF project in turn triggered additional parallel funding from such other donors as the European Commission (PHARE), EBRD, the United States of America, the Netherlands, EIB and NIB. The contributions towards the resulting integrated Danube programme for the next three years totals an estimated $50 million. Similar GEF initiatives for integrated environmental management programmes in the Black Sea and in the Baltic Sea areas were under development at the end of 1991 and may attract GEF support in 1992.

(ii) Ongoing programmes

a. Mediterranean Technical Assistance Programme (METAP)

45. This project will continue throughout 1992 with funding from the regional programme for the Arab States as well. In addition to UNDP, the World Bank, the Commission of the European Communities, and EIB have been contributing to the programme which aims at improved environmental management in the Mediterranean Basin and riparian countries.

b. Aquaculture, phase II

46. This project which is jointly financed with the regional programme for the Arab States, has been rephased reflecting late approval and start-up. Institution-building for the promotion of fish farming is the main objective.

c. Mediterrranean Seismic Risk Reduction Project

47. Building on the success of this ongoing project and its networking experience, there is a strong likelihood for a large-scale second phase of the project which will receive bilateral cost-sharing funding. UNDP will coordinate efforts to obtain such resources.

48. All environmental activities are expected to expand local capacities for environmental management. The principal success indicator will be the creation of new mechanisms - both legal and institutional - for environmental management, e.g., the establishment of several environmental consulting firms whose services can be used by Governments and industry for improving their environmental performance.

49. A total of $1.2 million in IPF resources has been earmarked for this subprogramme.

Subprogramme for transport and communications

(a) Regional development goals and programmes requiring UNDP assistance

50. The ongoing transition processes towards market economies in Central, Eastern and South-Eastern Europe have major implications for existing transport and communication networks in the region. Without improved transport systems and communication facilities, it will not be possible to develop trade, to stimulate exports and to integrate the economies of countries in the region with the rest of the world.

51. As the physical condition of existing infrastructure is totally inadequate, the region will have to embark on massive investments for rehabilitation, modernization and extension of infrastructure and equipment in the sector. To maximize funds, the countries of the region are undertaking an assessment of all transport modes in order to identify the most efficient intermodal approaches available.

(b) Proposed UNDP cooperation

(i) Intermodal transport information, planning and management systems

52. In order to consider all transport modes in an integrated way and to create an improved database and more efficient investment planning and management, the creation of dynamic information systems is required. The training of transport managers using an integrated, intermodal approach will

be a major focus of the project. Existing networks for the development of Trans-European motorways and railways, which were assisted during the fourth-cycle regional programme, will be invited to identify activities for UNDP funding reflecting an integrated approach which would take into account the other modes of transport. Special efforts are being made to attract cost-sharing or parallel financing from major European donors.

(ii) Management of telecommunications and postal services

53. Most Central and Eastern European countries are restructuring and modernizing their telecommunications and postal services. They require major foreign investments for installation and training at all levels. The new project will concentrate on management education and will assist in coordinating efforts by European telecommunications and postal services to improve productivity and become customer and market oriented. The project will require substantial co-financing to meet the enormous needs. The feasibility of multidonor cooperation in the area will be examined during a preparatory phase.

54. The main success indicators will be the development of programmes for management change in the sector and the introduction of a regional transport database.

55. A total of $1 million in IPF resources has been earmarked for this subprogramme.

C. Implementation and management arrangements

56. The preferred execution modality for the fifth-cycle regional programme is one whereby the beneficiary countries themselves will provide management and coordination facilities. Networking is a proven modality in UNDP-supported European regional programmes, which should allow the proposed programme to benefit from steering committee arrangements for determining priorities and from management systems for executing projects. The final choice of modalities, however, will be influenced by co-funding requirements and the preferences of the beneficiary Governments.

57. To ensure maximum inputs and delivery of the intercountry programme and its subprogrammes and projects, as well as their adaptation in the course of the cycle to changing needs of beneficiary countries, UNDP will strengthen its mechanism for an ongoing process of consultation and coordination with beneficiary countries, donors and agencies. These arrangements will also provide the means to associate related agency activities with subprogrammes and projects.

58. The intergovernmental meeting (see para. 21 above) also endorsed a list of pipeline projects for the fifth cycle which were discussed and adopted by the task force meetings. UNDP has been urged to take necessary steps for ensuring additional financial resources for their implementation. Following is a list of these projects:

(a) Industrial subcontracting;

(b) Trade promotion;

(c) Macroeconomic stabilization;

(d) Mediterranean seismic risk reduction;

(e) Upper silesia project;

(f) Environmental impact assessment;

(g) Decentralized/local environmental planning and management; and

(h) Integrated environmental monitoring.

Annex I

FINANCIAL SUMMARY

I. ESTIMATED RESOURCES (IPF + cost-sharing) TAKEN INTO ACCOUNT FOR PROGRAMMING

(Thousands of dollars)

Carry-over from fourth-cycle IPF	-	
Fifth-cycle IPF	4 200	
Subtotal IPF		4 200
Project cost-sharing (Government)	-	
Project cost-sharing (Third party)	250	
Programme cost-sharing	-	
Subtotal cost-sharing		250
TOTAL		4 450

II. ALLOCATION OF RESOURCES (IPF + cost-sharing) BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Private sector development, management, vocational training	2 000	-	2 000	45
Environment/energy	1 200	250	1 450	33
Transport/communications	1 000	-	1 000	22
Subtotal	4 200	250	4 450	100
Unprogrammed reserve	-	-	-	
TOTAL	4 200	250	4 450	100

III. COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES USED IN AREAS OF CONCENTRATION

(Thousands of dollars)

A. UNDP-administered funds		
SPR	500	
UNCDF	-	
UNSO	-	
UNIFEM	-	
UNRFNRE	-	
UNFSTD	-	
Subtotal		500
B. Other United Nations resources		
JCGP participating agencies:		
UNFPA	-	
UNICEF	-	
WFP	-	
IFAD	-	
Other United Nations agencies (non-UNDP financed)		
Global Environmental Facility	17 600	
Subtotal		17 600
Total non-core and other United Nations resources		18 100
C. Non-United Nations resources		33 900
TOTAL		52 000

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus a/					
	Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
I. PRIVATE SECTOR DEVELOPMENT, MANAGEMENT, STATISTICS, VOCATIONAL TRAINING						
Privatization			*			
Turnaround management			*			
Management education			*		*	*
Entrepreneurship	*					*
Statistics					*	
Vocational training	*					*
II. ENERGY AND ENVIRONMENT						
Energy conservation and air pollution control		*	*		*	
Management of hazardous waste			*		*	
Restructuring and environmental management in coal mining industry		*	*		*	
III. TRANSPORT/COMMUNICATIONS						
Intermodal transport information systems		*	*		*	
Management of telecommunication and postal systems			*			*

a/ Asterisks indicate major linkage only.

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PROGRAMME PLANNING

Country and intercountry programmes and projects

THIRD REGIONAL PROGRAMME FOR EUROPE

Note by the Administrator

I. PREPARATORY PROCESS

1. After the profound changes that occurred in late 1989, a study of networking experience in the fourth-cycle regional programme for Europe initiated preparations for the fifth-cycle intercountry programme. During 1990 and 1991, a process of programme review and evaluation was undertaken leading to packages of new ideas for the fifth cycle. With the help of a small group of short-term consultants, UNDP has made an assessment of the lessons learned in each sector of the fourth-cycle regional programme and has prepared reports on each of the following principal areas: (a) private sector development in Central and Eastern Europe; (b) management development, entrepreneurship and vocational training; (c) energy and environment; and (d) transport and communications.

2. In April 1991, a consultative meeting was held in Geneva. Participants included UNDP resident representatives in Europe, government representatives from countries accorded indicative planning figures (IPFs), officials from the United Nations Economic Commission for Europe (ECE), representatives of the specialized agencies of the United Nations development system and major donor organizations. The meeting focused on the process, scope and overall thematic priorities for fifth-cycle programmes, both country and regional. It was then decided to highlight the following themes: (a) the human dimension of transition; (b) development of management skills and systems; (c) promotion of an enabling environment for private sector development; (d) development of

sustainable policies to tackle environmental pollution; and (e) creation of an enabling infrastructure to develop the exchange and flow of information, people and goods through better facilities in transport, information and communications systems.

3. On 12 June 1991, an informal conference room paper, available in English, entitled "Technical cooperation in the transformation and recovery of European economies in transition: the role of UNDP" was presented to the Governing Council at its thirty-eighth session. This document contained a strategic approach for future activities of UNDP in the Central and Eastern European subregion during the fifth cycle (1992-1996). It highlighted the need for formulating programmes that would be capable of generating additional resources to make up for an approximate 60 per cent reduction of the fifth-cycle IPF to $4.2 million, compared with a tentative fund-raising target for the next European intercountry programme of $28.5 million.

4. Technical consultations for eliciting the views of Governments, United Nations specialized agencies, other donors and the international development banks were held as follows:

(a) Warsaw, Poland, 27-28 June 1991: Task-force Meeting on Transport and Communications;

(b) Celakovice, Czechoslovakia, 30 September-4 October 1991: Task-force Meeting on Private Sector Development, Management and Vocational Training; and

(c) Ankara, Turkey, 17-19 December 1991: Task-force Meeting on the Environment and Energy.

All task-force meetings have resulted in conclusions and recommendations for areas of concentration in the UNDP-supported fifth-cycle regional programme as agreed to by participants of Governments and organizations of the United Nations system.

5. In order to emphasize a linkage between the regional programme and individual country programmes, a relevant Advisory Note was prepared in September 1991 based on the major priority areas and strategy for the subregion outlined previously in the informal conference room paper submitted to the Governing Council. (See para. 3 above.) The note was shared with the Governments of the seven Central and Eastern European countries.

6. The task-force meetings and the intergovernmental meeting resulted in a consensus among government aid coordinators, ECE, UNDP resident representatives and agencies of the United Nations system for a new regional programme. The screening of new proposals for inclusion in the fifth-cycle programme took place during the task-force meetings as well as during the intergovernmental consultations held on 16 and 17 January 1992. The latter proceedings brought together development assistance coordinators from IPF Governments in the region, ECE and agencies of the United Nations system. The proposed intercountry programme was approved.

II. ANALYTICAL COMMENTARY

7. The human dimension of the transition processes will receive attention through activities aimed at enlarging the choices of people in the following ways: as participants in the productive processes; as recipients of social and other government services; as beneficiaries of an improved environment; and as partners in newly created democratic institutions and systems.

8. The benefits that the peoples of the region will derive from the programme are expected to include the following:

(a) Improved job opportunities on the labour market as a result of an improved economic climate favouring the private sector; the creation of small and medium-sized enterprises; and the survival of larger companies after successful restructuring;

(b) Improved educational systems that correspond to new employment opportunities; e.g., management education and vocational training, adapted to requirements of restructured economies;

(c) Sustainable environmental management systems, involving small units of country specialists capable of assisting industry and Governments in reducing energy consumption and environmental pollution;

(d) Improved health of the population resulting from environmental clean-up programmes supported by the programme; and

(e) User-friendly transport systems and communication facilities.

9. UNDP interventions are expected to create additional employment, to develop new management tools enabling countries of the region to reduce environmental damage, and to increase consumer satisfaction by way of productive and service industries.

10. This will be effected mainly through human resources development: i.e., helping the private sector, non-governmental organizations (NGOs), local institutions and individuals, particularly women, to become partners in the ongoing processes of socio-economic change.

III. MANAGEMENT OF THE PROGRAMME

11. In view of the reduced regional IPF, mobilization of additional resources is the only way to implement the proposed intercountry programme. The countries of the region have requested UNDP to embark on a co-financing strategy whereby UNDP will provide "seed money" for identifying project objectives, securing the commitment of interested partners among other donor organizations, and designating implementation modalities during a preparatory phase. While UNDP may rely on intergovernmental mechanisms and networks developed during the fourth-cycle programme for the execution of the

subprogrammes, the final choice of execution modalities for the proposed regional programme will depend on the preferences of beneficiary Governments and co-funding agencies.

12. During the process of programme preparation, it has been agreed that UNDP will strengthen its cooperation with ECE, the specialized agencies of the United Nations system, the European Community, EBRD and bilateral donors in order to develop priority programmes jointly. Combined efforts to identify the sources of necessary co-financing will be initiated.

13. Networking is a preferred implementation modality, involving Governments, autonomous institutions and companies, and NGOs. Technical support will be provided from a variety of resource institutions, including the specialized agencies of the United Nations system.

14. For monitoring and evaluation, as well as participation in important events, an increased use will be made of senior programme advisers from within and outside the region.

15. For each subprogramme, there will be an annual sectoral review where progress will be evaluated and decisions taken as to the continuation and further development of project activities. Such review meeting will involve representatives from specialized agencies of the United Nations system as well as from other donor entities and institutions, including NGOs. Representatives of participating countries will also participate. In view of the need for co-financing, these annual review meetings will also be instrumental in involving other donor organizations in the programme.

IV. RECOMMENDATION

16. The programme is initiating important activities in the fields of economic restructuring, human resources development, energy conservation and environmental management and the development of datasystems for investments in the transport sector. It is thus an appropriate response to the needs of the region. The experience of UNDP in institution-building, world wide as well as in Europe, will enable it to play a catalytic role.

17. The Administrator, therefore, recommends that the Governing Council approve the third regional programme for Europe.